

*Mar 86*RETIREMENT ANNUITY TAXATION LEGISLATION

## Provisions of House Bill:

- Eliminate "Three-Year Rule" that allows tax-free period immediately after retirement until employee contributions are recovered.
- "General Rule" would apply to all annuities. It pro-rates recovery over actuarial life expectancy of annuitant.
- Would be effective for annuities beginning after 1 July 1986.

## Provisions of Senate Finance Committee Proposal:

- Same provisions as House Bill with two exceptions:
  - A. Would be phased in over a two-year period;
  - B. Would be effective for annuities beginning after 1 January 1987.
- Not yet approved by Senate.

## Effect on Employees:

- These bills could cause high-ranking employees to incur as much as \$20,000 in additional tax liability in the first year of retirement. Lower ranking employees could also incur additional tax liability.

PERCENTAGES ELIGIBLE TO RETIRE ON OR BEFORE 30 JUNE 1986

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- 7%  of all Agency employees.
- 34%  of all SIS.
- 15%  of all GS 14/15.
- 4%  of all others.
- 60%  of all DO SIS personnel are eligible.
- 28%  of all GS 14/15 DO personnel are eligible.

BREAKDOWN OF ELIGIBLE RETIREES BY DIRECTORATE

25X1

DCI  
DA  
DI  
DO  
DS&T  
  
Total

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S-E-C-R-E-T